



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Sara L. Hensley

SUBJECT: SEE BELOW

DATE: 04-19-04

Approved

Date

COUNCIL DISTRICT: City-wide

SNI: N/A

**SUBJECT: RESOLUTION AUTHORIZING THE CITY MANAGER TO NEGOTIATE
AND EXECUTE AN AGREEMENT WITH SILICON VALLEY
ECONOMIC DEVELOPMENT CORPORATION**

RECOMMENDATION

It is recommended that the City Council adopt a resolution authorizing the City Manager to negotiate and execute an agreement with Silicon Valley Economic Development Corporation (SVED) in an amount not to exceed \$33,960 for the period of July 1, 2003 to June 30, 2004. The funds will be used by SVED to support administrative costs incurred with operating the Micro Enterprise Resources and Lending Initiatives Network (MERLIN) program.

BACKGROUND

On October 1, 2002, the City Council approved and adopted "Investment in the Future: San Jose's Early Care and Education Strategic Work Plan." This work plan identifies five strategic goal areas that serve as the blueprint by which the City will achieve its early care and education vision of *all children entering school with the foundation needed for academic and school success*. By working collaboratively with school districts, private businesses and early childhood education professionals, the City will meet its goal of creating 3,200 Smart Start San José approved quality early care and education spaces by 2006.

Silicon Valley Economic Development Corporation (SVED) is a private, non-profit, public benefit community economic development corporation that has served the City of San José since 1981. Silicon Valley Economic Development Corporation's MERLIN program is a program that does not involve construction but is an economic development project that provides loans ranging from \$5,000 to \$60,000 to child care businesses for the benefit of low- and moderate-

income San José residents. Loans are used to offset non-construction related business facility and operational costs of program clients. The loans are limited to child care business owners who serve participants in extremely low-, low-, and moderate-income categories. The MERLIN program also provides technical assistance to all program participants including loan application preparation and training/counseling in business financial literacy. The MERLIN program is funded through a \$165,334 grant from CDBG and \$200,000 in private matching funds. Under the CDBG agreement for 2003-2004, SVED oversees and manages loan funds for the MERLIN project.

This agreement will be retroactive to July 1, 2003, which reflects when SVED had first approached the City with a request for funding to support their administrative costs incurred with the MERLIN project. The agreement was not pursued at that time because, shortly thereafter, SVED was informed that matching funds, which would have increased their child care revolving loan program, would not be granted. However, only two months ago, SVED informed the City that they indeed received the matching grants and thus is once again requesting support for administrative costs.

ANALYSIS

The City wishes to grant \$33,960 to SVED in support of their MERLIN project. The funds will come from the Packard Foundation Grant, which the City received in 2002-2003 to support the strategic plan. SVED will use the funds to cover administrative costs not reimbursed by the CDBG grant and the matching funds.

The MERLIN program contributes to the overall economic vitality of the City. Loan recipients will create 80 new jobs that will be filled with qualified extremely low-, low-, and moderate-income child care providers and create 92 Smart Start child care spaces for San José children and families towards the goal of 3,200. Because of SVED's long history and success in providing economic development services and programs to the City of San José; and because staff believes that providing this additional financial support to SVED will be beneficial to the Smart Start San José Family Child Care program, PRNS recommends that City Council approve this recommendation for grant funds to SVED.

PUBLIC OUTREACH

N/A

COORDINATION

This memorandum has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

COST IMPLICATIONS

Funding to support this agreement is available through the David and Lucile Packard Foundation Grant and is consistent with the Foundation's grant use guidelines. Any costs above the amounts specified in the CDBG agreement and the agreement described in this memo for completion of the projects will be the responsibility of SVED. There are no cost implications to the General Fund.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	RC #	Total Appn.	Adopted Budget Page	Last Budget Action (Date, Ord. No.)
001	2669	Packard Grant Smart Start Sites		\$827,106*	2003-2004 Adopted Operating Budget, Page 698	10/14/2004, Ord. No. 26997
		Total		\$827,106		

*Of the \$827,106 appropriated in the General Fund, no more than \$33,960 will be allocated to Silicon Valley Economic Development Corporation.

CEQA

Not a project.

SARA L. HENSLEY
Director of Parks, Recreation
and Neighborhood Services